Supreme Court, U.S.
FILED
SEP 21 1988
JOSEPH F. SPANIOL, JR.
CLERK

(2)

No. 88-313

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

HALLMARK CARDS, INCORPORATED and HALLMARK MARKETING CORPORATION,

Petitioners,

vs.

HARTFORD HOUSE, LTD., d/b/a BLUE MOUNTAIN ARTS, SUSAN POLIS SCHUTZ, and STEPHEN SCHUTZ,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

HARRY G. MELKONIAN*
JAMES B. HICKS
RHEA CARAS
WHITE & CASE

333 South Hope Street
Suite 3400
Los Angeles, California 90071
(213) 620-7700

JOHN A. PURVIS
BUCHANAN, GRAY, PURVIS & SCHUETZE

1050 Walnut Street
Suite 501
Boulder, Colorado 80302
(303) 442-3366

* Counsel of Record

Attorneys for Respondents

Lawyers Brief Service / Legal Publishers / (213) 383-4457 / (714) 720-1510

QUESTIONS PRESENTED

Hallmark seeks review of a preliminary injunction even though the trial is little more than three months from now (a fact not disclosed by Hallmark's Petition). "In reviewing such interlocutory relief, this Court may only consider whether issuance of the injunction constituted an abuse of discretion." *Brown v. Chote*, 411 U.S. 452, 457 (1973). Hallmark's "Questions Presented" address the merits of the case, but consideration of such ultimate questions has been specifically disapproved by this Court on review of interlocutory orders. *Id.* at 456.

Pursuant to Supreme Court Rule 34.2, respondents Hartford House, Ltd., d/b/a Blue Mountain Arts, Susan Polis Schutz, and Stephen Schutz (collectively, "Blue Mountain") therefore amend Hallmark's "Questions Presented" as follows:

1. Did the District Court abuse its discretion by preliminarily enjoining 83 greeting cards which Hallmark concedes deliberately imitate Blue Mountain's cards?*

2. In affirming that Hallmark's imitative cards infringe Blue Mountain's rights, did the Court of Appeals make an obvious mistake of law?

---

* Hallmark distributes 11,000 different greeting cards. Petition Appendix at p. 33a. The lower courts prohibited Hallmark from distributing only the 83 cards identified in the preliminary injunction, and did not restrict Hallmark with regard to the rest of its 11,000 cards. *Id.* at p. 34a.

RULE 28.1 STATEMENT

Blue Mountain adopts Hallmark's Statement of the Parties to the Proceedings in the Court Below at page ii of the Petition, and further states that it has no subsidiary or parent companies.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

RULE 28.1 STATEMENT ii

TABLE OF AUTHORITIES vi

STATEMENT OF THE CASE 1

Statement of Facts 4

A. Blue Mountain's Success in the Greeting Card Market 4

B. Hallmark's Decision to Copy Blue Mountain's Greeting Cards. 6

C. The Preliminary Injunction Hearing and Appeal. 10

THE PETITION SHOULD BE DENIED 12

A. CERTIORARI SHOULD BE DENIED SINCE THE PRELIMINARY INJUNCTION WAS NOT AN ABUSE OF DISCRETION 12

Page

B. THE COURT OF APPEALS CORRECTLY AFFIRMED THE PRELIMINARY INJUNCTION 15

1. The Court of Appeals Properly Affirmed that the Patent/Copyright Clause of the Constitution Does Not Preempt Federal Trade Dress Law. (Hallmark's First Question Presented) 16

2. The Preliminary Injunction Does Not Grant Blue Mountain "Exclusive Rights to Use an Idea or a Style of Art," But Instead Narrowly and Specifically Enjoins Particular Infringing Hallmark Greeting Cards. (Hallmark's Second Question Presented) 20

3. The Court of Appeals Correctly Affirmed the District Court's Factual Finding that Hallmark's Imitative Cards Infringe Blue Mountain's Greeting Cards. (Hallmark's Third Question Presented) 22

Page

a. The Court of Appeals Properly Affirmed the District Court's Factual Finding that the Blue Mountain Trade Dress is Not Functional, in Part Because There are Many Ways to Create Emotional Poetry Cards Without Copying the Blue Mountain "Look". 23

b. The Court of Appeals Properly Affirmed the District Court's Factual Finding that the Elements of the Blue Mountain Trade Dress are Primarily Not Functional. 26

CONCLUSION. 27

TABLE OF AUTHORITIES

Page(s)

Cases

Ambrit, Inc. v. Kraft, Inc.,
812 F.2d 1531 (11th Cir. 1986) 22

American Greetings Corp. v. Dan-Dee Imports, Inc.,
807 F.2d 1136 (3d Cir. 1986) 15

Beer Nuts, Inc. v. Clover Club Foods Co.,
805 F.2d 920 (10th Cir. 1986) 9

Berenyi v. INS,
385 U.S. 630 (1967) 3

Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.,
510 F.2d 1004 (5th Cir.), *cert. denied*,
423 U.S. 868 (1975) 17

Brown v. Chote,
411 U.S. 452 (1973) . . . . . i, 12, 14

CPG Prods. Corp. v. Pegasus Luggage, Inc.,
776 F.2d 1007 (Fed. Cir. 1985) 3, 20

Cannon v. University of Chicago,
441 U.S. 677 (1979) 19

Compco Corp. v. Day-Brite Lighting, Inc.,
376 U.S. 234 (1964) 18

Page(s)

Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,
604 F.2d 200 (2d Cir. 1979) 18

Doran v. Salem Inn, Inc.,
422 U.S. 922 (1975) 2, 14

Dowell v. United States,
553 F.2d 1233 (10th Cir. 1977) 22

Frederick Warne & Co. v. Book Sales Inc.,
481 F.Supp. 1191 (S.D.N.Y. 1979) 17

Hallmark Cards, Inc. v. Hallmark Dodge, Inc.,
634 F.Supp. 990 (W.D. Mo. 1986) 19

Herman & MacLean v. Huddleston,
459 U.S. 375 (1983) 19

Inwood Labs., Inc. v. Ives Labs., Inc.,
456 U.S. 844 (1982) 16, 19, 22, 25

John H. Harland Co. v. Clarke Checks, Inc.,
711 F.2d 966 (11th Cir. 1983) 22, 24

Keene Corp. v. Paraflex Indus.,
653 F.2d 822 (3d Cir. 1981) 24

Kellogg Co. v. National Biscuit Co.,
305 U.S. 111 (1938) 25

LeSportsac, Inc. v. K-Mart Corp.,
754 F.2d 71 (2d Cir. 1985) 14

Page(s)

Magnum Import Co. v. Coty,
262 U.S. 159 (1923) 27

Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.,
316 U.S. 203 (1942) 24

In re Morton-Norwich Prods., Inc.,
671 F.2d 1332 (Cust. & Pat. App. 1982) 24

Pagliero v. Wallace China Co.,
198 F.2d 339 (9th Cir. 1952) 24

Park 'n Fly, Inc. v. Dollar Park and Fly, Inc.,
469 U.S. 189 (1985) 16

Prufrock Ltd. v. Lasater,
781 F.2d 129 (8th Cir. 1986) 22, 27

San Francisco Arts & Athletics, Inc. v. United States Olympic Committee,
107 S.Ct. 2971 (1987) 16

Sears, Roebuck & Co. v. Stiffel Co.,
376 U.S. 225 (1964) 15, 18

Sicilia di R. Biebow & Co. v. Fox,
732 F.2d 417 (5th Cir. 1984) 24, 25

Steele v. Bulova Watch Co.,
344 U.S. 280 (1952) 19

Page(s)

Stormy Clime Ltd. v. Progroup, Inc.,
809 F.2d 971 (2d Cir. 1987) 26, 27

Truck Equipment Serv. Co. v. Fruehauf Corp.,
536 F.2d 1210 (8th Cir.), *cert. denied*,
429 U.S. 861 (1976) 17

University of Texas v. Camenisch,
451 U.S. 390 (1981) 13

Vuitton et Fils S.A. v. J. Young Enters.,
644 F.2d 769 (9th Cir. 1981) 25

Statutes and Rules

Lanham Act §43(a),
15 U.S.C. §1125(a) 10, 17, 19

Lanham Act §45,
15 U.S.C. §1127 19

Securities Exchange Act §10(b),
15 U.S.C. §78j(b) 19

Title IX of the Educational Amendments
of 1972, §901(a), 20 U.S.C. §1681(a) 19

Fed.R.Civ.P. 52 (a) 4

Rule 10b-5, 17 C.F.R. §240.10b-5. 19

Page(s)

Article and Legislative History

S.Rep. No.1333, 79th Cong., 2d Sess. (1946) 16, 17

Diamond, "Properly Used, Trademarks are Forever," 68 ABA Journal 1575 (1982) 18

No. 88-313

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1988

HALLMARK CARDS, INCORPORATED and
HALLMARK MARKETING CORPORATION,

Petitioners,

vs.

HARTFORD HOUSE, LTD.,
d/b/a BLUE MOUNTAIN ARTS,
SUSAN POLIS SCHUTZ,
and STEPHEN SCHUTZ,
Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

STATEMENT OF THE CASE

This case involves an attempt by the unquestioned giant of the greeting card industry — Hallmark — to misappropriate the goodwill of a tiny competitor by copying its cards. Significantly, Hallmark does not challenge the lower courts' finding that "Hallmark copied Blue Mountain's cards for the purpose of benefitting from and 'cashing in' on Blue Mountain's already established reputation and goodwill, [which] is being diluted by Hallmark's intentional copying." Petition Appendix at pp. 29a-30a. As Hallmark's counsel of record frankly admitted to the Tenth Circuit during oral argument, Hallmark "imitated" Blue Mountain's cards.

All that is involved in this Petition is the preliminary injunction of 83 greeting cards which copy Blue Mountain cards (*id.* at p. 34a); the preliminary injunction does *not* restrict Hallmark in the distribution of its other 11,000 existing greeting cards or in its production of new cards.

With regard to the 83 cards at issue, the District Court found after an all-day evidentiary hearing that Blue Mountain demonstrated a substantial likelihood of success on the merits; that the balance of equities lay overwhelmingly in Blue Mountain's favor; that Blue Mountain would suffer irreparable injury absent a preliminary injunction (indeed, that it would be "ruined") while Hallmark would not sustain any significant damage; and that a preliminary injunction was in the public interest. *Id.* at pp. 33a-34a. It then enjoined Hallmark from further distribution of the 83 cards. After a hearing, an injunction bond was set and posted. The appellate panel unanimously affirmed these proceedings.

Hallmark challenges only one of the lower courts' findings warranting the preliminary injunction, namely, whether Blue Mountain will succeed at trial some three months from now. Under such circumstances, this Court has held that it will not review the merits of the case, but will only address the question "whether the issuance of the injunction, in the light of the applicable standard, constituted an abuse of discretion." *Doran v. Salem Inn, Inc.*, 422 U.S. 922, 932 (1975).

Hallmark's Petition does not address this required showing of an abuse of discretion, nor does it dispute the District Court's express finding that it stole Blue Mountain's proprietary trade dress (Petition Appendix at p. 30a) — which conduct plainly violates the Lanham Act. Instead, Hallmark reargues its "evidence" and ignores the lower courts' factual findings.[1] But this Court does not ordinarily

---

[1] For example, citing its own witnesses' testimony in the Hearing Transcript, Hallmark claims that its cards are different from Blue

(continued)

sit "to review concurrent findings of fact by two courts below." *Berenyi v. INS*, 385 U.S. 630, 635 (1967).[2]

Hallmark also falsely claims that the preliminary injunction protects a Blue Mountain "art style." But as stated by the Tenth Circuit:

> "Contrary to Hallmark's position and numerous assertions, the Blue Mountain 'look' does not merely refer to Blue Mountain's artwork, one of the many features comprising the overall appearance of Blue Mountain's cards, or to some artistic style. Rather, the protected 'look' referred to by the district court is the overall appearance of the cards, i.e., the trade dress."

Petition Appendix at p. 12a n.4. Hallmark's assertions to the contrary are disingenuous since both courts specifically use "the word 'look' to mean the cards' overall uniform appearance, comprised of some or all of the features listed by the court." *Id.*[3]

Hallmark's arguments cannot outweigh the District Court's discretion in entering the preliminary injunction, which was unanimously affirmed below. Certiorari should

---

(ftn. continued)
Mountain's. Petition at p. 7. But the District Court specifically found that Hallmark's cards are "so similar to Blue Mountain's that it is nearly impossible to differentiate between the respective card lines." Petition Appendix at p. 24a.

2 *Accord, CPG Prods. Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 1014 (Fed. Cir. 1985) (refusing to look at "the injunction against unfair competition in a vacuum, *i.e.*, as though there had never been a trial in which the district court heard witnesses, evaluated credibility, and compared in their entireties the respective [product] lines before making its findings, reaching its conclusions, and issuing its injunction. We have no such authority"; affirming injunction against specific infringing goods).

3 Hallmark's primary arguments on this issue below were made in a purported amicus brief ostensibly filed by a third party, which the Tenth Circuit discarded because it was in fact secretly written and paid for by Hallmark.

be denied so the parties can address the merits at the January 2, 1989 trial.

Statement of Facts

The following facts were found by the District Court after its all-day evidentiary hearing, and incorporated in its detailed opinion. Petition Appendix at p. 16a ("This memorandum constitutes my preliminary findings of fact and conclusions of law as required by Rule 52(a), Fed. R.Civ.P.").

A. Blue Mountain's Success in the Greeting Card Market.

Blue Mountain is a prime example of a company which has achieved success because of consumer recognition. Blue Mountain's principals Susan Polis Schutz and Stephen Schutz began by selling posters from the back of a pickup truck, with Susan composing the posters' poetry and Stephen doing the graphic design. Since Blue Mountain branched into greeting cards in the early 1970's, it has sold approximately 100 million cards. Petition Appendix at p. 16a. *Accord,* Hallmark's Petition at p. 5 (Blue Mountain's cards proved "enormously popular" and "quickly achieved national commercial success").

Blue Mountain's major card lines are "AireBrush Feelings" and "Watercolor Feelings." Petition Appendix at p. 16a. Both of these card lines "have an inherently distinctive and highly uniform 'look' that is recognizable and attributable to Blue Mountain." *Id.* at p. 21a. "The following elements comprise that look or trade dress:

> "1. A two-fold card containing poetry on the first page and the third page.
>
> "2. Unprinted surfaces on the inside three panels.

"3. A deckle edge on the right-side of the first page.

"4. A rough stripe of color, or wide stripe, on the outside of the deckle edge of the first page.

"5. A high quality, uncoated and textured art paper for the cards.

"6. Florescent ink for some of the colors printed on the cards.

"7. Lengthy poetry, written in free verse, typically with a personal message.

"8. Appearance of hand-lettered calligraphy on the first and third page with the first letter of the words often enlarged.

"9. An illustration that wraps around the card and is spread over three pages, including the back of the card.

"10. The look of the cards primarily characterized by backgrounds of soft colors done with air brush blends or light watercolor strokes, usually depicting simple contrasting foreground scenes superimposed in the background."

Id. at pp. 4a, 21a-22a. This look has remained substantially the same since the two lines came out in the early 1980's. *Id.* at p. 29a ("The AireBrush and Watercolor Feelings 'look' has been in existence for several years.").

The District Court found that the "look" resulting from these ten elements is "easily recognizable and attributable to a source that has generated a loyal customer following." Petition Appendix at p. 27a. Hallmark itself admits that Blue Mountain's cards have a "distinctive," "consistent," and "recognizable look" (*id.* at pp. 26a-27a) and its expert was "struck by the sense of uniformity to the Blue Mountain

cards." Transcript at p. 158. As Hallmark's counsel conceded at the hearing, "[c]ertainly its cards have a look." Transcript at p. 17.[4]

Indeed, Blue Mountain's "competitive strength" is that its "cards have an inherently distinctive and recognizable look *attributable to their source,* Blue Mountain" (Petition Appendix at p. 26a) (emphasis added), a fact admitted by Hallmark. *Id.*; Transcript at p. 125.[5]

Because of its distinctive look, "Blue Mountain has been an enormously successful leader in the phase of the greeting card industry aimed at expressing very personal, strong emotions, and it has been said that Susan Polis Schutz is the 'reigning star' in this aspect of the greeting card business." Petition Appendix at pp. 16a-17a.

B. Hallmark's Decision to Copy Blue Mountain's Greeting Cards.

Industry giant Hallmark quickly developed "concern about plaintiffs' commercial success." Hallmark's Brief on Appeal, dated April 27, 1987, at p. 9 n.5. Hallmark first tried to eliminate Blue Mountain in 1977 with the "first generation" of Hallmark's "Personal Touch" greeting cards.

---

4 Hallmark's attempt to restrict Blue Mountain's look to an "art style" is simply not supported by its cited transcript references. Indeed, Hallmark's own expert witness testified that a greeting card's art style cannot be divorced from the format and layout of the card. Transcript at pp. 162-63 ("It has sides and it could be folded and can be turned over, all that needs to be taken into consideration, I think."). *See also* Petition Appendix at p. 12a n.4.

5 As Stephen Schutz testified, "We wanted to maintain a consistent look over a long period of time so that customers would identify that look with our company [because] it's very important for these customers to recognize our look so that they are attracted to our cards if they like our poetry and buy the cards." Transcript at p. 58. Blue Mountain's look is "vital to us. You can't survive without that." *Id.* This testimony was undisputed by Hallmark.

Petition Appendix at p. 16a. A Hallmark document reviewed by the District Court bluntly states that "Personal Touch was created with the intent of 'displacing Blue Mountain.' " *Id.* at p. 17a. But Hallmark's original Personal Touch cards were a "commercial failure." *Id.* at p. 28a.

Hallmark concluded that its "Personal Touch cards posed little threat to Blue Mountain" — according to another Hallmark memo reviewed by the District Court — because of Blue Mountain's "design styling and brand name recognition." *Id.* at p. 17a. *Accord, id.* at p. 26a (citing memo by Personal Touch product manager that Blue Mountain is "a formidable competitor, because of their recognizable look established through 10 years of retail exposure" and its "loyal, established base of retailers and customers"). Hallmark decided to step up its campaign to "displace" what it called one of its "strongest competitive threats." *Id.*

Hallmark first tried to buy Blue Mountain. In 1985, Hallmark's chief executive officer David Hughes told Blue Mountain's principals, the Schutzes, "that Hallmark was interested in buying Blue Mountain or pursuing joint ventures." *Id.* at p. 28a. Although Hallmark's attempt to acquire Blue Mountain was unsuccessful, "[d]uring the course of his visit, Hughes told the Schutzes 'they were lucky' because Blue Mountain had its own 'look' and style." *Id.*

Failure to acquire Blue Mountain's "look" by legitimate means did not stop Hallmark. Hallmark polled its card dealers on the question, "How do you feel about Hallmark copying Recycled Paper, Blue Mountain Art, and California Dreamers." *Id.* As a Hallmark internal memorandum put it, "Hallmark can either steal ideas from the other alternative greeting card companies or be innovative." *Id.* at pp. 17a-18a. The memo quickly recommended the option to "steal":

> "Hallmark missed the mark on their attempt at alternative greeting cards .... [S]ome of the offerings are good, but *they will not displace*

> *Blue Mountain. . . . Hallmark should copy the alternative greeting cards offered by competitors . . . .*"

Id. at p. 17a (emphasis added). As found below, Hallmark "chose to imitate instead of innovate." *Id.* at p. 18a.

Meanwhile "Hallmark purchased 200 of the Blue Mountain cards and began to analyze the Blue Mountain look." Petition Appendix at p. 28a. It concluded that Blue Mountain cards were "vulnerable to imitation" because of their "one design/editorial style." *Id.* at p. 26a. Hallmark's greeting card design manager showed Blue Mountain cards to his artists, who then designed new Personal Touch cards. Transcript at p. 223 (testimony by Hallmark executive). On April 1, 1986, Hallmark replaced its unsuccessful "first generation" Personal Touch line with a "second generation" series of Personal Touch cards. Petition Appendix at p. 18a.

The District Court found the new Hallmark cards "so similar to Blue Mountain's that it is nearly impossible to differentiate between the respective card lines." Petition Appendix at p. 24a. *See also id.* at p. 29a (portions of Hallmark and Blue Mountain cards are "virtually identical; so nearly identical as to preclude a finding of coincidence").

The card-buying public also cannot tell Hallmark's imitative cards from their Blue Mountain prototypes. Consumer research — found by the District Court to be "convincing consumer survey evidence" (*id.* at p. 30a) — showed that 70-80% of the relevant consumer group mistook Hallmark's imitative cards for Blue Mountain cards. *Id.* On this basis the District Court found that "the average consumer cannot detect differences in minute stylistic details among or between the competing card lines here involved."

Id. at p. 27a.[6]

Even greeting card experts are fooled by Hallmark's copies. Hallmark's own expert conceded that "some cards, I felt, were particularly close." Transcript at p. 159. More striking yet, "Susan Polis Schutz testified that, while visiting a California card shop, even she was confused and deceived into believing a Hallmark card was her own." Petition Appendix at p. 32a.[7]

Hallmark's imitative cards immediately diverted Blue Mountain sales. A Hallmark June 16, 1986 performance report stated, "A dealer who complained that we were wrong to 'copy Blue Mountain Art' apologized and is excited about sales results." *Id.* at p. 28a.

Based on the above evidence (almost all of which was undisputed by Hallmark at the hearing), the District Court specifically found that "Hallmark copied Blue Mountain's cards for the purpose of benefitting from and 'cashing in' on

---

6 Although Hallmark claims its cards say "Hallmark" on the back (Petition at p. 7), customers do not look at the backs of cards. Petition Appendix at p. 32a. Anyway, such a label "is not enough to eliminate the likelihood of confusion in this case where the products and their marks are similar because consumers typically do not engage in side by side comparison of the products." *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 926 (10th Cir. 1986) (enjoining similar product).

7 As Susan Polis Schutz testified:

> "A. The first time I saw it, I was in a Hallmark store out in California, and I usually will go into a store and see if our cards are there, and if they are I sort of make them look pretty. And I was in the store and I thought I saw a couple of our cards. And I went to pick them up and I was going to put them in with the rest of our cards, but I couldn't find the rest of our cards. So I turned them over to see what the code was, or something, and it said Personal Touch Hallmark. I absolutely thought it was our cards.
>
> "Q. And after you saw that the card was a Hallmark card, what did you do?
>
> "A. Exactly?
>
> "Q. Yes.
>
> "A. I ran out of the store crying."

Transcript at p. 90.

Blue Mountain's already established reputation and good-will." *Id.* at p. 29a.

C. The Preliminary Injunction Hearing and Appeal.

Three weeks after Hallmark's memo celebrating the success of its strategy to "copy Blue Mountain Art," Blue Mountain filed this action on July 8, 1986 for, *inter alia*, trade dress infringement under §43(a) of the Lanham Act, 15 U.S.C. §1125(a). On October 24, 1986 the District Court held an all-day hearing on Blue Mountain's preliminary injunction motion. Petition Appendix at pp. 15a-16a. Judge Carrigan heard over six hours of testimony. *Id.* at p. 16a.

The District Court's opinion (which occupies twenty pages in the Appendix) notes that a preliminary injunction is appropriate when 1) there is a substantial likelihood that the movant will eventually prevail on the merits; 2) the movant will suffer irreparable injury if the injunction does not issue; 3) the threatened injury to the movant outweighs whatever damage the injunction may cause the opposing party; and 4) the injunction would not be adverse to the public interest. *Id.* at pp. 32a-33a. *Three of these four issues are undisputed by Hallmark's Petition.*

Hallmark does not challenge the District Court's finding that "the Hallmark Personal Touch cards are so substantially similar to the plaintiffs' trade dress, that there exists a likelihood of confusion in the minds of the consuming public" (*id.* at p. 32a), which finding "establishes . . . the risk of irreparable harm." *Id.* at p. 33a.

Hallmark similarly does not dispute that "[t]he threatened injury to Blue Mountain greatly outweighs any damage the injunction may cause Hallmark." *Id.* As the District Court noted, "[t]he approximately 90 Hallmark Personal Touch cards in issue comprise a small portion of the 11,000 cards . . . distributed by Hallmark," while "[i]f Hallmark is allowed

to further dilute the Blue Mountain look prior to a trial on the merits, Blue Mountain will be ruined and any success it might gain through trial would be a pyrrhic victory." *Id.* at p. 33a.

Nor does Hallmark challenge the court's finding that "it is in the public interest to enforce the policies of the Lanham Act [and] to prevent the likelihood of public confusion from becoming an actuality." *Id.* at pp. 33a-34a.

The only aspect of the District Court's opinion challenged by Hallmark is its finding that "plaintiffs have demonstrated a substantial likelihood of success on the merits of their Lanham Act claim." *Id.* at p. 33a. The first element of this claim, that Blue Mountain's "AireBrush and Watercolor Feelings cards possess an established and secondary meaning that is being diluted by Hallmark's intentional copying" (*id.* at p. 30a), is not disputed by Hallmark. Nor does Hallmark disagree with the court's finding on the second element that "the Hallmark Personal Touch cards are so substantially similar to the plaintiffs' trade dress, that there exists a likelihood of confusion in the minds of the consuming public." *Id.* at p. 32a.

Instead, Hallmark challenges *only* the third and last element of this fourth aspect of the District Court's opinion, the technical question of functionality. In a lengthy discussion of this issue (pages 19a through 26a of the Petition Appendix), the District Court reviewed the evidence before it and found as a fact that "the AireBrush and Watercolor Feelings features are primarily non-functional." *Id.* at p. 26a.

Based on these findings, the District Court preliminarily enjoined Hallmark from distributing 83 specific cards which infringe Blue Mountain's cards *Id.* at p. 34a. Hallmark appealed, but the Tenth Circuit found that "[n]one of Hallmark's arguments on appeal suggest that the district court erred or abused its discretion in granting the prelimi-

nary injunction" (*id.* at p. 12a), in a ruling occupying fourteen pages in the Appendix. .

THE PETITION SHOULD BE DENIED

Far from presenting novel or important questions for review, Hallmark reargues its evidence, ignores settled law, and fails to show any conflict with controlling authority. Hallmark's imitation of Blue Mountain's cards, and the ruin facing Blue Mountain because of that infringement, amply justify the preliminary injunction. If only because of the January 2 trial — at which time the preliminary injunction will either be vacated or modified into a permanent injunction — Hallmark's Petition should be denied.

A.

CERTIORARI SHOULD BE DENIED SINCE THE PRELIMINARY INJUNCTION WAS NOT AN ABUSE OF DISCRETION

Hallmark's Petition does not address the only real question before the Court, which is "whether issuance of the injunction constituted an abuse of discretion." *Brown, supra,* 411 U.S. at 457. This limited standard of review is especially applicable here because a full trial on the merits is scheduled for January 2, 1989, some three months from now. Given the incomplete factual record before the Court, the imminent trial date, and the fully bonded preliminary injunction, it is simply inappropriate to grant certiorari.

This Court has explained why the "abuse of discretion" standard of review is particularly appropriate on review of a preliminary injunction. Unlike a permanent injunction — which is granted after a full trial and upon a complete factual record — "[t]he purpose of a preliminary injunction is

merely to preserve the relative positions of the parties until a trial on the merits can be held":

> "Given this limited purpose, and given the haste that is often necessary if those positions are to be preserved, . . . where a federal district court has granted a preliminary injunction, the parties generally will have had the benefit neither of a full opportunity to present their cases nor of a final judicial decision based on the actual merits of the controversy. . . . *Until such a trial has taken place, it would be inappropriate for this Court to intimate any view on the merits of the lawsuit.*"

University of Texas v. Camenisch, 451 U.S. 390, 395-98 (1981) (emphasis added). For these reasons, the only issue before the Court is "whether the District Court had abused its discretion in issuing a preliminary injunction." *Id.* at 393.

As noted above, the District Court applied the Tenth Circuit's four-factor standard for preliminary injunctive relief. *See* Petition Appendix at pp. 5a, 32a-33a. This standard is identical to the preliminary injunction standard approved by this Court in *University of Texas, supra*, 451 U.S. at 392, and, as in that case, "[t]he District Court and the Court of Appeals both properly based their decisions not on the ultimate merits of [plaintiffs'] case but rather on the balance of the[se] factors." *Id.* at 398.

Hallmark does not address the lower courts' balance of these factors, but instead asks this Court to rule on the merits of the case. Hallmark's refusal to look at the applicable preliminary injunction standards is improper, first "because it improperly equates 'likelihood of success' with 'success,' and what is more important, because it ignores the significant procedural differences between preliminary and permanent injunctions." *Id.* at 394.

Hallmark would have this Court ignore the emergency situation before the District Court in 1986, that "[i]f Hallmark is allowed to further dilute the Blue Mountain look prior to a trial on the merits, *Blue Mountain will be ruined and any success it might gain through trial would be a pyrrhic victory.*" Petition Appendix at p. 33a (emphasis added). Hallmark also ignores the District Court's findings that "[t]he threatened injury to Blue Mountain greatly outweighs any damage the injunction may cause Hallmark" (*id.*), and that the preliminary injunction "is in the public interest." *Id.* at pp. 33a-34a. None of these three factors is challenged by Hallmark. *See* Petition Appendix at p. 5a.

By addressing the fourth factor in isolation, the merits of Blue Mountain's claim, Hallmark ignores the lower courts' balance of the applicable factors as a group. But that balance is the proper focus of inquiry:

> "As the District Court opinion clearly evidences, issuance of the injunction reflected the balance which that court reached in weighing these [preliminary injunction] factors . . . . In reviewing such interlocutory relief, this Court may only consider whether issuance of the injunction constituted an abuse of discretion."

Brown, supra, 411 U.S. at 456-57 (affirming emergency preliminary injunction without addressing merits of case). *Accord, Doran, supra,* 422 U.S. at 933 (affirming preliminary injunction despite questionable legal conclusions by lower courts).[8]

---

[8] Also, as the Tenth Circuit noted, since Hallmark does not dispute that "the other three requirements for a preliminary injunction are satisfied, 'it will ordinarily be enough that the plaintiff has raised questions going to the merits so serious, substantial, difficult and doubtful, as to make them *a fair ground for litigation and thus for more deliberate investigation.*' " Petition Appendix at p. 5a n.2 (emphasis added). *Accord, LeSportsac, Inc. v. K-Mart Corp.*, 754 F.2d 71, 78 (2d Cir. 1985) (affirming Lanham Act preliminary injunction; that plaintiff "raised serious questions going to the

(continued)

There was no abuse of discretion below, since the courts' findings of Hallmark's predatory intent are firmly anchored by Hallmark admissions that it planned to "steal" and "copy" Blue Mountain's look. Petition Appendix at pp. 17a-18a. Certiorari should be denied so the parties can go to trial and develop a full record for appellate review.

B.

THE COURT OF APPEALS CORRECTLY AFFIRMED THE PRELIMINARY INJUNCTION

Even if the Court were to address the merits of the case, Hallmark's "Questions Presented" do not present issues worthy of review by this Court:

First, Hallmark's claim that trade dress law is unconstitutional is refuted by the very case it cites, which holds that courts may "protect businesses in the use of their . . . distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964);

Second, Hallmark's argument that no one can have a monopoly to "an idea or a style of art" is an irrelevant platitude. Hallmark is preliminarily enjoined only from marketing 83 specific greeting cards which both lower courts found infringe Blue Mountain's cards; and

Third, Hallmark seeks to overturn the District Court's factual findings on functionality — which were based on this Court's precedents — and instead substitute a wide-ranging

---

(ftn. continued)
merits . . . is sufficient at this stage of the litigation"); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1140 (3d Cir. 1986) (Lanham Act preliminary injunction should be reversed only for an "obvious error in applying the law").

definition of functionality which has been universally rejected by the federal courts.

At bottom, Hallmark argues that it may counterfeit the appearance of competitive products with impunity. But the Court has specifically rejected Hallmark's claim that consumer confusion is necessary for free competition. Instead "[t]his Court has recognized that ... *trademarks foster competition* and the maintenance of quality by securing to the producer the benefits of good reputation." *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 107 S.Ct. 2971, 2978 (1987) (emphasis added).[9]

Hallmark's window-dressing about free competition is nonsense. Free competition demands protection of the trademark owner and punishment of the infringer, not the other way around.

1. The Court of Appeals Properly Affirmed that the Patent/Copyright Clause of the Constitution Does Not Preempt Federal Trade Dress Law.

As the Tenth Circuit held, "The district court properly relied on the law dealing with trade dress infringement.... This protection does not extend the protection available under trademark law and does not conflict with the policy of copyright law." Petition Appendix at p. 12a.

---

[9] *Accord*, S.Rep. No. 1333, 79th Cong., 2d Sess. at p. 1275 (1946) ("Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other."); *Park 'n Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1985) ("Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that 'a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them.' "); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982) ("trademark infringement inhibits competition").

Hallmark disagrees, claiming that copyright and patent law somehow preempt the field of intellectual property. Petition at p. 17. Hallmark's argument — apart from demolishing trademark law at one stroke — seriously misconstrues the interplay among patent, copyright and trademark law. As Congress recognized in the legislative history of the Lanham Act, "Trade-marks are not monopolistic grants like patents and copyrights":

> "A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his."

S.Rep. No.1333, 79th Cong., 2d Sess. at p. 1275 (1946).[10]

There is nothing wrong, or even novel, about the idea that trade dress, copyright and patent law may all protect the same product in different ways. That an individual Blue Mountain card is copyrighted, or even "that a copyrightable character or design has fallen into the public domain, should not preclude protection under the trademark laws so long as it is shown to have acquired independent trademark significance, identifying in some way the source or sponsorship of the goods." *Frederick Warne & Co. v. Book Sales Inc.*, 481 F.Supp. 1191, 1196 (S.D.N.Y. 1979) (applying Lanham Act §43(a) to uncopyrightable items).[11]

---

[10] *Accord, Truck Equipment Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1215 (8th Cir.), *cert. denied*, 429 U.S. 861 (1976) ("The protection accorded by the law of trademark . . . is greater than that accorded by the law of patents because each is directed at a different purpose"); *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1014 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975) ("A trademark . . . differs substantially from a copyright, in both its legal genesis and its scope of federal protection.").

[11] Hallmark's protest against "perpetual" trade dress rights similarly lacks any basis. Trade dress protection is acquired through use and the development of "secondary meaning," the association of a product with its manufacturer in the public mind. This protection continues so long as the use and secondary meaning also continue; otherwise, old trademarks —

(continued)

Although Hallmark relies heavily on *Sears-Compco* in arguing that the patent/copyright clause precludes trademark protection, those cases deal only with federal preemption of state law under the Constitution's Supremacy Clause.[12] The federal Lanham Act applies here, and as Hallmark admits, "The Copyright Act does not, of course, preempt rights or remedies under other federal statutes." Petition at p. 19 n.14.

Moreover, *Sears* itself recognized that patent/copyright law does not preempt laws which "protect businesses in the use of their . . . distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods." 376 U.S. at 232. Although Illinois law, which governed in *Sears*, did not protect trade dress *(id.)*, Blue Mountain's claim is under the Lanham Act, which does.[13]

Hallmark also argues that the term "trade dress" does not appear in the Lanham Act, and that the Court should at one blow reverse decades of precedent since supposedly "the lower federal courts have over the last forty years built up an entire federal common law of unfair competition never contemplated in 1946." Petition at p. 12. Hallmark is just wrong, since the Lanham Act "protect[s] persons engaged in

---

(ftn. continued)
including the "Hallmark" name itself — would lapse into the public domain merely by reason of old age. By contrast, the passage of former trademarks like "escalator" and "kerosene" into the public domain demonstrates that trademark rights are not "perpetual" but instead must be maintained. *See* Diamond, "Properly Used, Trademarks are Forever," 68 ABA Journal 1575 (1982).

12 *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 234 (1964) ("the question here is whether the use of a state unfair competition law . . . conflicts with the federal patent laws"); *Sears, supra*, 376 U.S. at 231 ("a State cannot encroach upon the federal patent laws").

13 *Accord, Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204 (2d Cir. 1979) ("it is clear that *Sears-Compco* did not redefine the permissible scope of the law of trademarks insofar as it applies to origin and sponsorship"; affirming preliminary injunction of infringing trade dress).

[interstate] commerce against unfair competition" (Lanham Act §45, 15 U.S.C. §1127), as this Court recognized early on. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283 (1952).

But even if the Lanham Act did not specifically prohibit unfair competition, "This Court has frequently accepted a history of federal-court recognition of a cause of action as indicative of the propriety of its implication." *Cannon v. University of Chicago*, 441 U.S. 677, 706 n.40 (1979) (recognizing private right of action for sex discrimination under Title IX). For instance, asked to rule that there is no private right of action for securities fraud under the Securities Exchange Act of 1934, the Court held:

> "Most significantly for present purposes, a private right of action under §10(b) of the 1934 Act and Rule 10b-5 has been consistently recognized for more than 35 years. The existence of this implied remedy is simply beyond peradventure."

Herman & MacLean v. Huddleston, 459 U.S. 375, 380 (1983).

Hallmark cannot ask this Court to undo forty years of precedent, especially since the Court has already recognized trade dress claims under the Lanham Act. *Inwood Labs., supra*, 456 U.S. at 857 n.20 (remanding trade dress claim to appellate court for consideration under §43(a)).[14]

Hallmark's argument that trade dress law is unconstitutional lacks any basis. It cannot justify a grant of certiorari.

---

[14] Hallmark itself has brought unfair competition claims under §43(a) of the Lanham Act. *E.g., Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 634 F.Supp. 990, 997 (W.D. Mo. 1986). It surely does not lie in Hallmark's mouth to deny the existence of this cause of action, having itself successfully asserted it in the past.

2. The Preliminary Injunction Does Not Grant Blue Mountain "Exclusive Rights to Use an Idea or a Style of Art," But Instead Narrowly and Specifically Enjoins Particular Infringing Hallmark Greeting Cards.

Hallmark complains that the courts "effectively" enjoined Hallmark "from using the general idea or 'look' of a seemingly handmade, emotionally expressive greeting card." Petition at pp. 20-21. This argument is an outrageous mischaracterization of the preliminary injunction. Hallmark is prohibited only from selling 83 specific cards which both lower courts found confusingly similar to Blue Mountain's cards in format, presentation, and construction. Petition Appendix at pp. 14a, 24a.

Nor does this case involve "ideas" or "artistic styles." As the Tenth Circuit responded to Hallmark's argument on appeal, "the Blue Mountain 'look' does not merely refer to . . . some artistic style. Rather, the protected 'look' . . . mean[s] the cards' overall uniform appearance comprised of some or all of the features listed by the court." Petition Appendix at p. 12a n.4.[15]

Contrary to Hallmark's assertion, Hallmark does not need to copy Blue Mountain's cards in order to compete. "In fact others are competing without copying," since "[a]n emotional non-occasion greeting card can be folded, colored, shaped, cut, edged and designed in infinite ways and still function to send its message." Petition Appendix at p. 25a.

---

[15] *Accord, CPG Prods., supra,* 776 F.2d at 1013-14 (affirming injunction; the defendant "remains in the luggage business and can use any color, trim, shape of trim, or other design embellishment it chooses [and] thus remains fully free to compete, so long as purchasers are not likely to be deceived as to the origin of its goods").

This case involves Hallmark's decision to fold, color, shape, cut, edge and design its cards to *duplicate* Blue Mountain's cards out of the infinite possibilities open to it.[16]

Although Hallmark argues that supposedly "the hundreds of cards in Blue Mountain's two lines could not all look alike" (Petition at p. 19), its argument is refuted by its own pre-litigation admissions that Blue Mountain's cards have a "distinctive," "consistent" and "recognizable look." Petition Appendix at pp. 26a-27a. Hallmark's own expert witness at the preliminary injunction hearing "testified that the plaintiffs' cards were all very uniform and consistent in design." *Id.* at p. 27a. Hallmark's counsel in fact admitted at the hearing that "[c]ertainly its cards have a look." Transcript at p. 17. Hallmark's attempt to dilute this uniform look on appeal cannot succeed.

The question is not about art styles, but instead whether Hallmark may steal the look of Blue Mountain's cards. Hallmark merely tries to divert the Court from the District Court's unchallenged factual finding that "Hallmark copied Blue Mountain's cards for the purpose of benefitting from and 'cashing in' on Blue Mountain's already established reputation and goodwill." Petition Appendix at p. 29a. The Petition has no relation to the facts found by the District Court, and so cannot support a grant of certiorari.

---

16 Hallmark is the *only* competitor which has chosen to imitate the Blue Mountain look. Transcript at p. 56 (testimony by Stephen Schutz). This testimony was undisputed by Hallmark. As the District Court noted, "It is easy for the business which wishes to sell its goods on their merits to select marks, designs and packaging that will not be confused with its competitors." Petition Appendix at p. 29a.

3. The Court of Appeals Correctly Affirmed the District Court's Factual Finding that Hallmark's Imitative Cards Infringe Blue Mountain's Greeting Cards.

The courts below enjoined Hallmark's imitative cards because they found that Blue Mountain had satisfied all three elements of its Lanham Act claim. Hallmark does not dispute their findings on two of the three elements, *i.e.*, that Blue Mountain would likely prove both secondary meaning and likelihood of confusion. *See* Petition Appendix at p. 7a.

The only element which Hallmark disputes is whether Blue Mountain's look is "functional." If a trade dress is "functional," or utilitarian, the law generally will not protect it. But this case involves greeting card decorations, and the District Court's finding that the decorations on Blue Mountain's cards are not functional is a "finding of fact subject to the clearly erroneous standard of review." *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 132 (8th Cir. 1986).[17]

Moreover, Hallmark of necessity argues that Blue Mountain's "look" is *entirely* functional. If any aspect is not functional, the look is legally protectible and the preliminary injunction must be affirmed given the District Court's undisputed findings that Hallmark intentionally copied it. *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1538 (11th Cir.

---

[17] *Accord, Inwood Labs., supra*, 456 U.S. at 857 n.20 (functionality involves factual questions); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 982 (11th Cir. 1983) ("the issue of functionality has been consistently treated as a question of fact"; reviewing cases).

So far as functionality involves legal analysis, "mixed questions of fact and law . . . will not be reversed on appeal unless they are clearly erroneous." *Dowell v. United States*, 553 F.2d 1233, 1235 (10th Cir. 1977) ("The appellate court is not called upon to determine whether the trial court reached the correct conclusion of law, but whether it reached a permissible conclusion in light of the evidence").

1986) (affirming injunction of similar product made of arguably functional components).

a. The Court of Appeals Properly Affirmed the District Court's Factual Finding that the Blue Mountain Trade Dress is Not Functional, in Part Because There are Many Ways to Create Emotional Poetry Cards Without Copying the Blue Mountain "Look".

Hallmark complains that supposedly the Tenth Circuit relied too heavily on the District Court's finding that there were "many design alternatives" other than copying Blue Mountain. Petition at p. 24. This argument merely whipsaws the lower courts, since Hallmark complained below that supposedly "the District Court failed to consider whether there were feasible alternative product designs." Hallmark Brief on Appeal, dated April 27, 1987, at pp. 31-32.[18] Having addressed Hallmark's argument on appeal, the Tenth Circuit is now criticized by Hallmark for doing so.[19]

Hallmark's argument is also specious. It wants to copy any product feature "that may make consumers want to buy it" (Petition at p. 23), whether or not there are alternative appealing designs. *Id.* at p. 24. Such a rule would "permit a second comer to copy the distinctive dress of a product whenever it became successful and consumers became accustomed to its dress. We do not doubt that such copying

---

18 In fact, the District Court held that "the infinite alternative designs available" were "[f]urther evidence that the features developed by the plaintiffs are non-functional." Petition Appendix at p. 24a.

19 Hallmark's Petition also misquotes the Tenth Circuit. *Compare* Petition at p. 24 (alternative appealing designs are "*the* critical factor in determining functionality") (emphasis added), *with* Petition Appendix at p. 10a ("the availability of alternative appealing designs is *a* key factor in determining that a trade dress is nonfunctional") (emphasis added).

would enable the second comer to market his product more effectively, but the Lanham Act does not permit that result." *Sicilia di R. Biebow & Co. v. Fox*, 732 F.2d 417, 427-28 (5th Cir. 1984).[20]

In Felix Frankfurter's words, "the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress." *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942). Hallmark would allow latecomers to "poach upon the commercial magnetism" of existing products, precisely because of the existence of such "commercial magnetism."

Such poaching is especially improper here since "there is room for innovation and profit in the emotional non-occasion greeting card market without duplicating or copying another's products":

> "In fact others are competing without copying, and they have not found it necessary to simulate the plaintiffs' trade dress in order to survive and prosper."

Petition Appendix at pp. 24a-25a. "This is not a case where there are a limited number of designs available" (*id.* at p. 24a), and the "evidence consisting of competitors' . . . similar products, demonstrates that the same functions can be performed by a variety of other shapes with no sacrifice of any functional advantage. There is no necessity to copy appellant's trade dress . . . ." *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1342 (Cust. & Pat. App. 1982).[21]

---

20 *Accord, Keene Corp. v. Paraflex Indus.*, 653 F.2d 822, 825 (3d Cir. 1981) ("The more appealing the design, the less protection it would receive."); *John H. Harland Co., supra*, 711 F.2d at 983 n.27 ("even trademarks would be functional under such a definition because they help to sell goods by identifying the manufacturer").

21 In contrast to these cases rejecting Hallmark's argument, Hallmark's principal citation is to *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952). But the Ninth Circuit has disavowed *Pagliero* in a case which

(continued)

In urging its proposed rule, Hallmark forgets the Court's definition of functionality, that "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., supra*, 456 U.S. at 850 n.10. *See Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938) (holding shredded wheat functional; "the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow shape").

Under the Court's definition, Blue Mountain's trade dress is not functional, as held by both courts below. It is obviously not "essential to the use or purpose" of a poetry card, since many other successful designs exist. Petition Appendix at pp. 24a-25a. Nor is this a "cost or quality" case since Hallmark did not copy Blue Mountain's cards either to reduce cost or to improve quality. As the District Court found, "Hallmark copied Blue Mountain's cards for the purpose of benefitting from and 'cashing in' on Blue Mountain's already established reputation and goodwill." *Id.* at p. 29a.

In sum, Hallmark urges the Court to reverse the District Court and Tenth Circuit, both of which followed this Court's definition of functionality (Petition Appendix at p. 19a), and instead adopt a rule allowing copying which has been universally rejected by modern federal cases.

(ftn. continued)
Hallmark fails to cite. *Vuitton et Fils S.A. v. J. Young Enters.*, 644 F.2d 769, 777 (9th Cir. 1981) ("Competition is not hindered by requiring [a defendant] to develop its own distinctive design for use in the decoration of its manufactured products"). Thus "[e]ven the Ninth Circuit has retreated from the *Pagliero* functionality standard." *Sicilia, supra*, 732 F.2d at 428 (rejecting defendant's suggestion that court adopt "commercial success" definition of functionality.)

b. The Court of Appeals Properly Affirmed the District Court's Factual Finding that the Elements of the Blue Mountain Trade Dress are Primarily Not Functional.

Hallmark's last argument mischaracterizes the District Court's opinion by claiming that it found the individual features of Blue Mountain's trade dress to be functional. Petition at p. 9 (inserting word "[functional]" into quote from opinion). In fact the District Court did nothing of the sort. All it found to be functional were the basic elements of "[p]aper, verse and ink" (Petition Appendix at p. 23a); in contrast, it specifically found that the Blue Mountain trade dress "features are primarily non-functional." *Id.* at p. 26a.

Since the District Court found both the Blue Mountain trade dress as a whole *and* its individual features to be "primarily non-functional," Hallmark's argument is based on an erroneous premise. This is just not a case where the trade dress at issue is composed solely of functional features.[22]

Even if the District Court had found the individual features to be functional — which it did not — Hallmark has failed to show any true conflict between the circuits. Looking beyond Hallmark's selective quotations, one sees that its cited cases agree with the opinions below. For instance, Hallmark's principal case is *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971 (2d Cir. 1987), which dealt with similar rainjackets. *Stormy Clime* held that "the arrangement of the principal features common to both [products] appears to be

---

22 Hallmark further mischaracterizes the District Court's opinion by quoting only the "[p]aper, verse and ink" phrase on page 8 of its Petition. The court's very next sentence — unreferenced by Hallmark — is that "[t]he design and amalgamation of those features in a uniform fashion with *other features*, however, has produced the non-functional Blue Mountain 'look.' " Petition Appendix at p. 23a (emphasis added).

dictated by the purpose of providing a low-cost, unencumbering, waterproof jacket":

> "Though the rainjackets are similar in appearance, their purely ornamental features and labelling differ in almost every respect . . . ."

Id. at 976. Similarly, Hallmark's other cited authority holds that the "elements" of a look may be protected. *Prufrock, supra*, 781 F.2d at 132.

Unlike the *Stormy Clime* rainjackets whose "purely ornamental features and labelling differ in almost every respect," Hallmark's imitative cards are "so similar to Blue Mountain's that it is nearly impossible to distinguish between the respective card lines." Petition Appendix at p. 24a. Hallmark cannot seriously argue that none of the Blue Mountain features is "purely ornamental" — for instance, the unprinted inside surfaces, the deckle edge, or the colored stripe on the right hand side of the cards.

Since Hallmark copied each of these, along with every other feature of the Blue Mountain look, under its own cited cases Hallmark is guilty of infringement.

CONCLUSION

The apparent complexity of Hallmark's petition should not obscure its inability to deny Judge Carrigan's factual finding that "Hallmark copied Blue Mountain's cards for the purpose of benefitting from and 'cashing in' on Blue Mountain's already established reputation and goodwill." Petition Appendix at p. 29a. It would be anomalous to permit Hallmark — who only raises technical issues and does not argue that the District Court abused its discretion — to escape such undisputed factual findings and its own admissions of predatory practices. Certiorari jurisdiction "was not conferred upon this Court merely to give the defeated party in the Circuit Court of Appeals another hearing." *Magnum Import Co. v. Coty*, 262 U.S. 159, 163 (1923).

Most significantly, the January 2 trial date is some three months away. Hallmark filed its Petition on the last possible day to do so, in effect waiting until the eleventh hour before trial. Any conceivable issue which this Court could review on a preliminary injunction will receive a more complete record at trial. Hallmark's only possible reason for filing its Petition at the eleventh hour is to cause delay, which gamesmanship in itself warrants denial of the writ.

For this reason, and those set forth above, certiorari should be denied.

Respectfully submitted,

HARRY G. MELKONIAN*
JAMES B. HICKS
RHEA CARAS
WHITE & CASE

JOHN A. PURVIS
BUCHANAN, GRAY, PURVIS
& SCHUETZE

Attorneys for Respondents

*Counsel of Record